



**Director of  
Central  
Intelligence**

~~**Top Secret**~~

OCPAS/C1G

CY# 285

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## **National Intelligence Daily**

*Monday  
17 October 1983*

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CPAS NID 83-243.IX

17 October 1983

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**USSR-NORTH KOREA: Moscow Cultivating P'yongyang**

*The Soviets are trying to improve ties with North Korea following the setback to their developing contacts with South Korea that has resulted from the airliner shootdown and, indirectly, from the bombing in Burma.* [redacted]

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Late last month a high-level Soviet official received a group of North Korean journalists. Soviet media are giving prominent treatment to otherwise routine developments in relations with P'yongyang. *Pravda* on 12 October featured a story on the 35th anniversary of diplomatic ties between the USSR and North Korea. [redacted]

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In addition, Moscow is adopting a harsher tone in covering South Korean developments. Soviet coverage of the bombing in Rangoon emphasizes that Seoul might exploit the incident to increase tensions on the peninsula. [redacted]

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**Comment:** Concern about the threat of anti-Soviet demonstrations in South Korea, not North Korean lobbying efforts, prompted the USSR to cancel plans to attend the Inter-Parliamentary Union meeting there early this month. Nevertheless, Moscow seems to be trying to exploit its boycott to improve relations with P'yongyang, which have been strained in recent years by the increase in unofficial Soviet contacts with Seoul as well as by improved relations between North Korea and China. [redacted]

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The Soviets probably believe that the shootdown and the bombing will delay further progress in their developing relationship with Seoul. They probably hope to play on concern in P'yongyang about improving Sino-US relations and possible South Korean retaliation. Moscow will attempt to avoid being identified with North Korean terrorism, but it is likely to offer to help P'yongyang frustrate any US or South Korean sanctions. [redacted]

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North Korea was pleased by the decision of the USSR and its allies to boycott the IPU conference. P'yongyang's belated decision to back Moscow publicly on the shootdown probably stemmed in part from the boycott. [redacted]

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**USSR-EGYPT: Soviet Frustration With Cairo**

*Increased Soviet media criticism of President Mubarak's government reflects Moscow's frustration at Egypt's slow pace in improving bilateral ties.* [redacted]

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TASS on Tuesday publicized Libyan leader Qadhafi's characterization of coming British military exercises in Egypt and Sudan as part of a US-NATO crusade against the Arabs. A Soviet commentary recently claimed that Egyptians dislike Cairo's adherence to the Camp David Accords and the government's failure to modify significantly former President Sadat's policies. It also implicitly criticized Mubarak's statements about resolving the Arab-Israeli dispute during his visit to Washington last month. [redacted]

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Soviet media have criticized Cairo's domestic policies by endorsing the objections raised by the opposition. They cited popular opposition to the government's extension of the state of emergency imposed after Sadat's assassination in October 1981. [redacted]

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These media commentaries follow a visit to Cairo last month by the head of the Soviet Foreign Ministry's Near East Department. He is the highest ranking Soviet diplomat to go to Egypt since Sadat expelled the Soviet Ambassador in September 1981. [redacted]

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**Comment:** The USSR had hoped that Sadat's death and the Mubarak government's subsequent pursuit of a nonaligned foreign policy would lead to better ties, but relations have improved only slightly. [redacted]

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Even if ambassadors are exchanged, bilateral ties are unlikely to improve substantially. The Soviets remain unhappy with Egypt's support for US efforts to mediate the crisis in Lebanon and for President Reagan's Middle East peace plan. Meanwhile, Egypt's current request for more US economic and military aid probably will make Cairo reluctant to accelerate the improvement of ties with Moscow. [redacted]

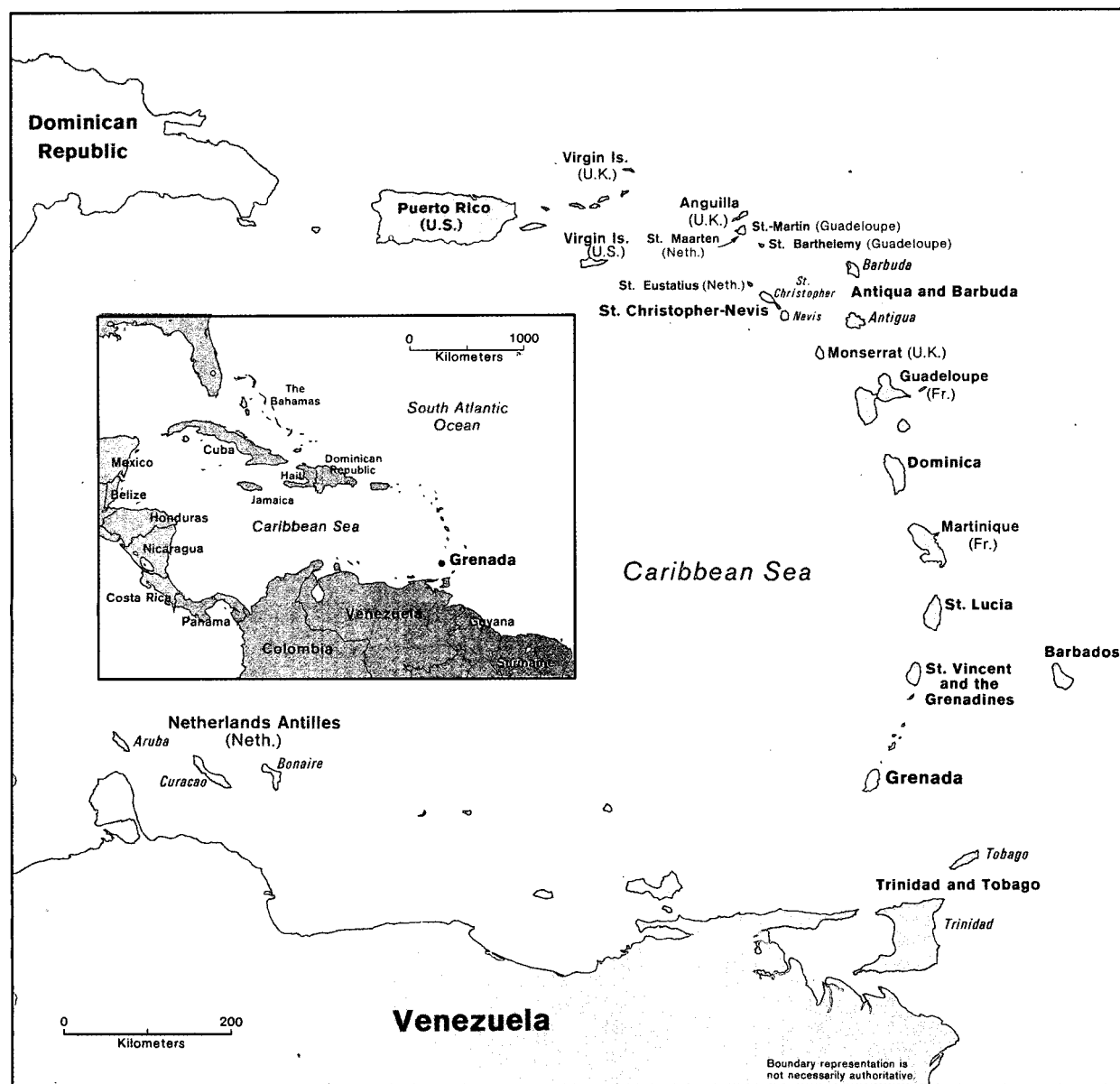
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**GRENADA: Power Struggle**

*The outcome of a power struggle that erupted late Thursday between moderate and radical leftists for control of Grenada's ruling New Jewel Movement remains unclear.* [REDACTED]

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Conflicting press accounts of the situation over the weekend included unconfirmed reports that Prime Minister Bishop was under house arrest and that a coup had been attempted by his deputy, Bernard Coard. On Saturday the state-run Radio Free Grenada repeated early press accounts that Coard had resigned over allegations he was plotting to kill Bishop and that Bishop's security chief had been arrested for spreading rumors of the Coard plot. [REDACTED]

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The Grenadian Ambassador to Cuba—an Army Major and military spokesman—warned in an announcement on Saturday that the armed forces would not tolerate one-man dominance of the government or any counterrevolutionary threats. According to unconfirmed press reports, the Ambassador yesterday announced that the Army had deposed Bishop and taken control. [REDACTED]

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**Comment:** The announcements by the Grenadian Ambassador to Cuba, as well as the arrest of one of Bishop's loyal ministers on Saturday, indicate that the radicals, under Coard's leadership, may have gained the upper hand. Grenada's armed forces evidently have moved to the forefront to defend the revolution and maintain stability. [REDACTED]

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The current political crisis appears to be the result of a recent meeting of party leaders, during which hardline elements were able to obtain support for policy changes, possibly including a call for collective leadership of the government. Bishop's refusal to accept these changes may have led to a power play by Coard, a hardline Marxist who has disagreed in the past with Bishop's slow implementation of the revolution. [REDACTED]

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If Coard were to come to power, he might need Cuban backing to consolidate his position. US Embassy and press reports indicate that Cuban-trained Army officers appear to back Coard, while the troops and the general populace support Bishop. [REDACTED]

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**NICARAGUA: Continuing Mistreatment of Indians**

*The Sandinistas' efforts to repair their reputation for mistreating the Miskito Indians are undermined by abuses that encourage more Miskitos to join insurgent ranks.* [ ]

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The Council of State recently pardoned 18 Indians detained for counterrevolutionary activities. The government also freed 10 Miskitos who allegedly defected from the Misura insurgents. The Sandinistas had publicized another release of Indian prisoners in July, but US Embassy sources maintain that those Indians had been declared innocent by a district court. [ ]

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The president of the Supreme Court told the US Embassy last month that the court would soon announce its decision to set aside convictions of more Miskitos. The court questioned whether the evidence established guilt, and it criticized conducting trials in Spanish for non-Spanish-speaking Indians. [ ]

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**Comment:** The Sandinistas probably hope that their ostensible generosity will deflect foreign criticism of their treatment of the Indians. Their release of a few carefully selected prisoners, however, is unlikely to induce significant defections from the Misura or to reduce popular support for the insurgents. [ ]

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The Court's decision to order new trials could affect hundreds of prisoners. Even so, the lack of a public announcement suggests that Sandinista leaders may not be prepared to accept an embarrassing revelation of their abuses of the judicial process. [ ]

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**WARSAW PACT: Comment on INF Developments**

The communique that emerged from the meeting of Warsaw Pact foreign ministers in Sofia last week asserts that it is not too late to reach an agreement at the INF talks and implies that negotiations should continue at least until the end of the year. The document suggests that continuation beyond that point would depend at a minimum on NATO INF deployments being postponed, but it stops short of stating that such deployments would bring the talks to an end. It repeats the statement made in Moscow by Warsaw Pact leaders on 28 June that they will not allow the West to achieve "military superiority."

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**Comment:** The communique is less explicit than recent statements by Soviet spokesmen—including those of Chief of the International Department Zamyatin and Warsaw Pact Commander Kulikov—in threatening that NATO deployments would result in a Soviet walkout at Geneva and in counterdeployments in Eastern Europe. Its generally milder treatment of these issues presumably reflects the influence of Romania and perhaps of Bulgaria and Hungary.

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**PHILIPPINES: Rescheduling Plans**

The government's agreement on Friday with its largest commercial creditors for a 90-day moratorium on principal payments on public and private foreign debt is the first in a series of steps required to restore order in external Philippine finances. Government-to-government debt and liabilities to the IMF, World Bank, and other multilateral financial institutions are not included in the arrangement.

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**Comment:** The moratorium will halt the erosion in Philippine access to capital. Only a far-reaching agreement on refinancing Manila's obligations, however, is likely to prevent the need for another 90-day moratorium beginning in January. Although the agreement will provide some financial breathing room for the Central Bank—whose reserves reportedly have fallen to less than \$1 billion—opposition groups already are claiming that President Marcos has led the government into bankruptcy.

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**BURMA-NORTH KOREA: Diplomatic Sanctions**

Burma will impose diplomatic sanctions against the North Koreans if it becomes clear that they were responsible for the bombing, according to Burmese Foreign Minister Chit Hlaing. South Korea is pressing the Burmese to break relations with North Korea as part of its strategy to isolate P'yongyang diplomatically and subject it to international condemnation.

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**Comment:** Burma, which recognizes both Koreas, is unlikely to break relations with the North. Rangoon follows a virtually isolationist nonaligned foreign policy and consistently refuses to take positions publicly on controversial international issues. If P'yongyang is proven to be behind the bombing, Rangoon is likely to do no more than make a strong, private protest and reduce the North Korean diplomatic presence. The Burmese also may refuse future North Korean aid and expel some aid technicians. Increased pressure or inducements from Seoul, including offers of financial or military assistance, are unlikely to affect Rangoon's actions.

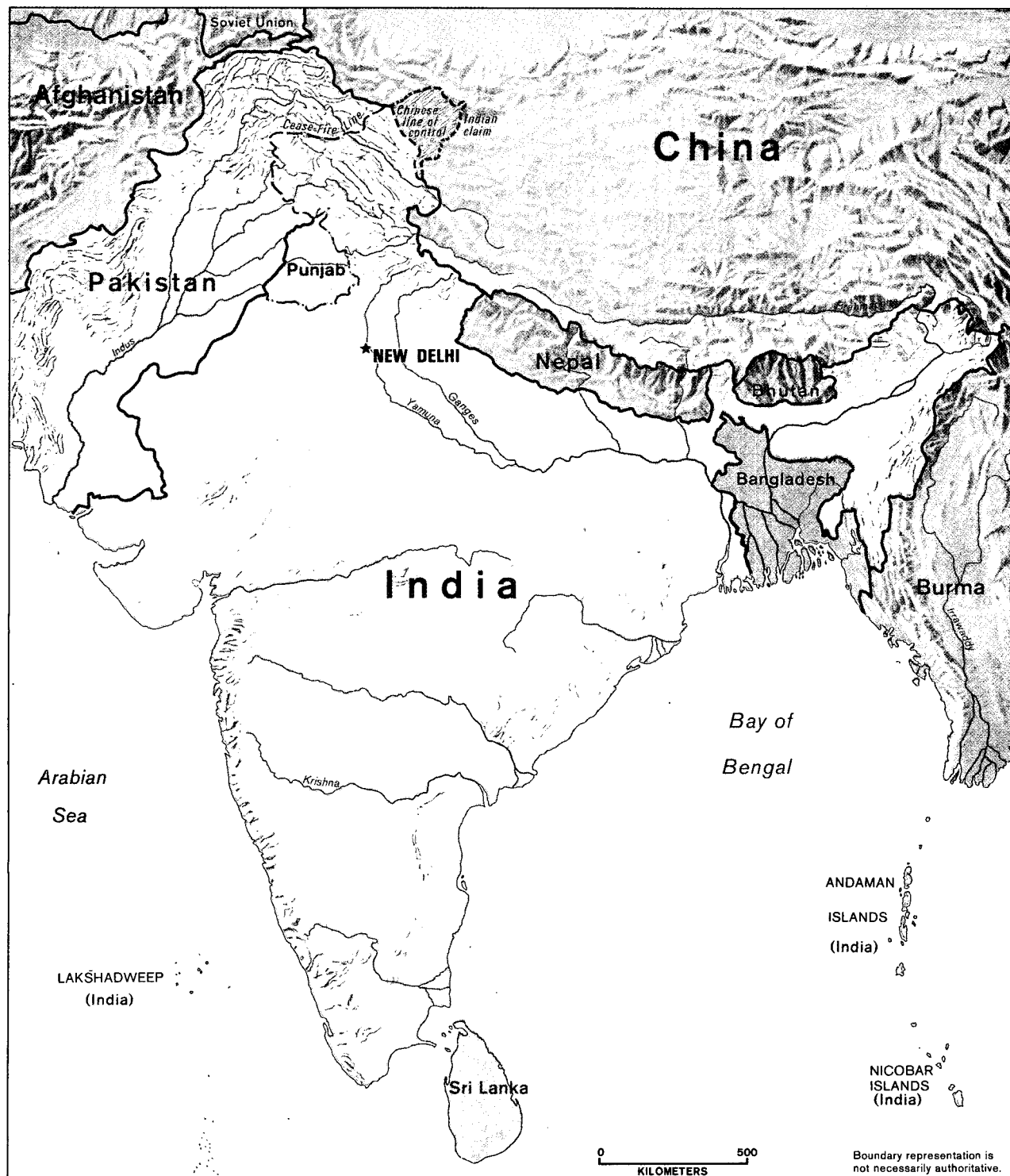
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**INDIA: New Security Measures**

President Zail Singh signed a decree on Saturday giving the Indian Army special powers to use whatever force is necessary to stem growing violence in the north. Several bomb attacks in the state of Punjab—where the Sikhs are in the majority—and in New Delhi during the past week have killed eight people and injured about 70. Prime Minister Gandhi placed Punjab under direct federal rule earlier this month when Sikh extremists who are demanding religious concessions and greater political autonomy launched terrorist attacks against Hindus. Punjab state police and paramilitary troops killed four Sikh gunmen on Friday in the first shootout since the imposition of direct rule.

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**Comment:** The President's decree adds a new dimension to the central government's approach to Sikh extremism and suggests government concern about the ability of state security forces to maintain order. Gandhi will use the Army in Punjab, however, only as a last resort, partly because of the disproportionately large number of Sikhs in the military. The Prime Minister is likely to intensify negotiations with the moderate leadership of the regional Akali Dal Party in Punjab in an effort to curb the threat of more violence.

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**MEXICO: Calls for Nationwide Strike**

A nationwide work stoppage and demonstration called by two small Communist-dominated coalitions for tomorrow is unlikely to attract large numbers of workers, but some incidents are possible. Two similar protests during the past year drew only small crowds. In the months since, leftist parties have become even more fractious.

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**Comment:** Organizers will be unable to stage a massive strike, because they lack support among progovernment unions. If university unions and students join in, however, the possibility of scattered violence will increase.

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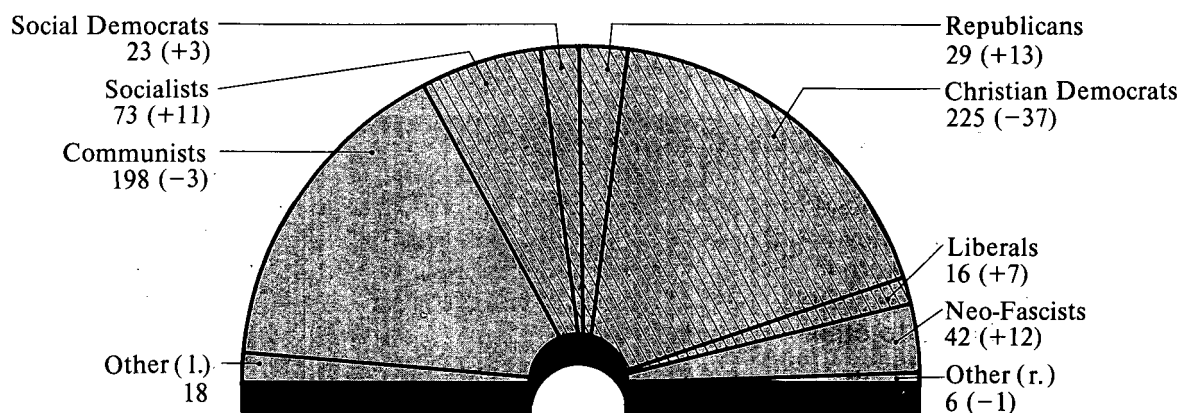


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### Italy: Change in Distribution of Lower Chamber Seats, 1979 to 1983

▨ Members of coalition



Total number of seats in Lower Chamber: 630  
Total number of seats for members of coalition: 366

*Note: Numbers in parentheses indicate seats gained or lost since 1979.*

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## **Special Analysis**

### **ITALY: Visit by Prime Minister Craxi**

*The Socialist Party's modest 1.8 percentage point gain in the election last June, combined with a 6 percentage point loss by the long-dominant Christian Democrats, enabled Bettino Craxi to wrest the office of prime minister from his coalition partners in August. Craxi is learning, however, that party and coalition considerations can limit his authority. As Italy's first Socialist prime minister, he is likely to try on occasion to demonstrate his independence of the US. During his visit to Washington beginning Thursday, however, he probably will give higher priority to demonstrating that US officials find him as acceptable as his Christian Democratic predecessors.*

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During the negotiations to form his government, Craxi was forced to surrender the majority of cabinet posts, including Treasury, Budget, and Finance, to the Christian Democrats. When the bargaining was over, the Socialists actually controlled three fewer portfolios than under the previous administration.

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The decision of the Christian Democrats to support Craxi was a tacit admission of their disarray. They remain the largest party in the parliament, and Craxi cannot maintain a non-Communist government without their support. On the other hand, the election has significantly reduced the size of the Christian Democratic delegation in the parliament, has badly tarnished the party leadership's prestige, and probably has reduced its tolerance toward its coalition partners.

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The Christian Democrats probably will not recover quickly. One recent poll suggests that, if new national elections were held, their score would fall another 4 percentage points, while the Socialists and Communists would each pick up 1 percent. Under these circumstances the Communists would become the largest party in the parliament, strengthening their bid for membership in the government.

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Christian Democratic Party Secretary DeMita and his colleagues are likely to continue to snipe at Craxi, as suggested by their renewed call for the Socialists to break their alliance with the Communists at the regional and local levels. Barring some unforeseen development such as another major scandal, however, the weakened Christian Democrats probably will be content to allow Craxi to remain in power for the next few months. They prefer to let Craxi bear the onus for

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enacting several necessary but unpopular austerity measures, particularly tax increases and cuts in social benefits. that the coalition partners have agreed need to be carried out. [REDACTED]

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### **New Legislation**

[REDACTED]  
Craxi's attempt to obtain parliamentary approval for the budget and financial law for 1984 will be an important test of his government's durability. Labor unions, special interest groups, and the opposition parties have criticized the law, but some of the loudest complaints have come from the Christian Democrats, whom the election made more sensitive to the effect of suggested pension and health care cuts. [REDACTED]

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The government's failure to push a key tax measure through the parliament late last week is an indication of how difficult the budget debate is likely to be. US officials in Rome expect that the final budget will fall short of the tough austerity program the government originally set out to impose. [REDACTED]

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Within Craxi's own party, the more ideologically inclined members will be unhappy with even a watered down austerity program. Although the party under Craxi's direction has abandoned most of its Marxist tenets, it remains emotionally with the left. During the election campaign last spring many of the Socialists' opponents argued that the Socialists had become a party without an identity. [REDACTED]

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Craxi now has to demonstrate to his supporters and to the general public that having him as prime minister will make a difference in the way the country is run. He has introduced legislation in the parliament aimed at streamlining the legislative process and strengthening his office. Above all, he has sought to cultivate a statesmanlike image and has made a special effort to avoid intemperate outbursts. [REDACTED]

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### **Using Foreign Policy Issues**

With coalition considerations limiting his power to make new policy at home, Craxi wants to enhance his reputation by giving Italy a larger role in foreign affairs. He appears to have singled out INF as an issue and seems personally committed to deployment, but he is still not well versed in the subject. He could cause trouble with his occasional ambiguous remarks on INF, which may be intended to probe for an East-West breakthrough as well as to keep anti-INF forces at home off balance. [REDACTED]

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The US Embassy in Rome says it is almost certain that the Italian parliament will debate the INF question early next month, although whether there will be a vote is not clear. The governing coalition would almost surely win an open vote on the INF question, but the outcome of a "secret" vote would be far less certain. A secret vote giving members of the governing parties an opportunity to choose between voting their consciences and supporting the government might give the opposition enough additional ballots to delay the deployment program, at least temporarily.

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Italy's involvement in Lebanon is causing Craxi new problems. The drift toward civil war in Lebanon earlier this month set off alarms within the governing coalition. The Communists and the other opposition parties are accusing the government of endangering the lives of Italian troops through adventurist policies abroad while ignoring problems at home.

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#### **Objectives of the Visit**

Nonetheless, Craxi hopes his trip to Washington will work to his advantage when he returns to Rome. He has long believed that the Christian Democrats' ties to Washington have hindered his party's efforts to attract moderate voters, and he will be anxious to demonstrate that he is equally acceptable to the US.

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Craxi will be concerned, however, about underscoring Italian independence. While he is likely to express solid support on East-West relations, he may be more critical of US policy toward the Third World, especially Latin America.

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Craxi's concern over the Italian economy may lead him to seek a US commitment to lower interest rates.

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